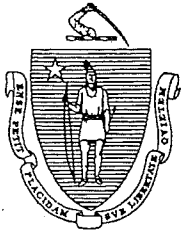


Exhibit 1



ALAN LeBOVIDGE
COMMISSIONER

LAURIE McGRATH
ACTING DEPUTY COMMISSIONER

Department of Revenue
Audit Division – Multistate Bureau
Park Building
355 Fifth Avenue, Suite 1400
Pittsburgh, Pennsylvania 15222
Telephone (412) 281-2776

CERTIFIED MAIL # 7003 3110 0004 8829 4048
RETURN RECEIPT REQUESTED

May 26, 2005

Jeremy Ewell
Circuit City Stores, Inc.
9950 Mayland Drive
Richmond, VA 23233

RE: CORPORATION EXCISE TAX AUDIT
TAXABLE PERIOD: 3/1/00 THROUGH 2/28/03

Recently this office conducted an audit for the above period. I have reviewed the proposed adjustments and concur with those findings, which are as follows:

- For the period ending 2/01, net income has been adjusted to tie to the final Federal 1120. MGL c.63, s. 30.3 and 30.4.
- For each of the audit periods, leasehold improvements and equipment have been changed from taxed locally to not taxed locally since no documentation was provided to prove that they were subject to local taxation. MGL c. 63, s. 30.10.
- For each of the audit periods, royalty and interest expense paid by Circuit City Stores, Inc. to Circuit City Stores West Coast (CCSWC) have been disallowed. Since Audit holds that Circuit City Stores, Inc. is the true and legal owner of the intangibles, audit has imputed royalty income to Circuit City Stores, Inc. for the use of the intangibles by CCSWC. The sales factor has been adjusted to include the imputed royalty income in the sales denominator. Dividend income and the dividend-received deduction associated with dividends paid by CCSWC to Circuit City Stores, Inc. have been eliminated. MGL c.63, s. 30.3, 30.4, 38(a)(1), 38(f), 39A and TIR 03-19.

Attached are the workpapers concerning the above changes.

If you do not agree with the proposed adjustments, you have the right to request an Exit Conference with this office. If you desire a conference we request you submit a written position paper to this office prior to the conference. Such paper must contain the reasons why you believe our proposed adjustments are incorrect and must be supported by the particular statute(s), regulation(s), or case law upon which you rely. The conference, if held, can be either telephonic or in person at our Pittsburgh Office, as you choose.

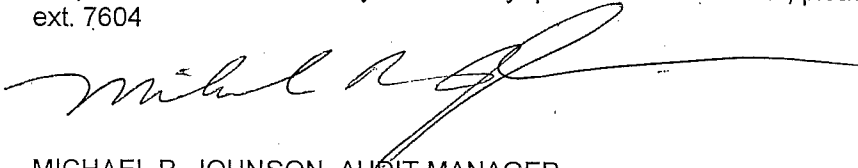
Please note, if you do not wish to have an exit conference, or if none is held within ten (10) days of the date of this letter (6/5/05) we will issue a Notice of Intention to Assess (NIA).

K5-1

Within thirty (30) days from the date of the NIA you may avail yourself of the following options:

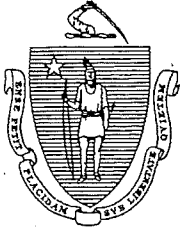
1. If you are in agreement with the proposed changes and wish to make payment, please remit your check as directed in the NIA.
2. If you are not in agreement, totally or in part, you may pursue further appeal:
 - a. by requesting a conference with the Office of Appeals, pursuant to MGL c.62C, sec 26(b), or
 - b. you may submit a request for settlement consideration to the Office of Appeals, pursuant to MGL c.62C, sec 37C, or
 - c. you may allow the case to be assessed and subsequently file Form CA-6, Application for Abatement with our Customer Service Bureau.

The necessary appeal forms will be mailed to you upon the issuance of the NIA. Thank you for your cooperation in this audit. If you have any questions or concerns, please call me at (412) 281-2776, ext. 7604



MICHAEL R. JOHNSON, AUDIT MANAGER

Attachments



The Commonwealth of Massachusetts
Department of Revenue

Audit Division – Multistate Bureau

Park Building

355 Fifth Avenue, Suite 1400

Pittsburgh, Pennsylvania 15222

Telephone (412) 281-2776

ALAN LeBOVIDGE
COMMISSIONER

FREDERICK A. BEEBE
DEPUTY COMMISSIONER

July 11, 2005

Jeremy Ewell
Circuit City Stores, Inc.
9950 Mayland Drive
Richmond, VA, 23233

RE: Revised Workpapers for Federal Changes

I have enclosed revised workpapers for Circuit City Stores, Inc. for you to review. The workpapers were revised to reflect the federal changes that were filed by you.

Your cooperation is appreciated. If you have any questions, please call me at (412)281-2776, extension 7606.

Sincerely,

A handwritten signature in cursive script that reads "Cynthia A. England".

Cynthia A. England
Tax Auditor

KS-1

Exhibit 2



MASSACHUSETTS DEPT. OF REVENUE
PO BOX 40
STEUBENVILLE, OH 43952

Cynthia England Audit Pittsburgh
Telephone: (617) 887-7762

NOTICE OF INTENT TO ASSESS

This is an official notice from the Massachusetts Dept. of Revenue.

CIRCUIT CITY STORES INC
9950 MAYLAND DR
RICHMOND VA 23233-1463

969C

Notice Date: July 31, 2005

Taxpayer ID Number: 875

Document Number: 0480 2004 8069

Total Assessment: \$259,025.95

Response Due Date: August 30, 2005

Tax Type: Foreign Corporation



875 2

2 B 00535-V. 01/16/07 203

THIS 02 VERSION SUPERCEDES PREVIOUS NIAS

You are receiving this notice because...

The Massachusetts Department of Revenue has conducted an audit for the periods 03/01/00 to 02/28/03. As a result of that audit, the Department has adjusted the tax reported for some or all of those periods. Please see page 3 "Assessment Detail" for a breakdown of the changes.

You may want to consider making a payment.

Interest and, in some cases, penalties will continue to accrue until you pay the full amount owed. If you decide to dispute the amount assessed, you are not required to pay. You may want to pay, however, to avoid additional interest and penalty charges. If your appeal is successful, any money paid will be refunded with applicable interest. Mail your check or money order along with the Payment Coupon shown below.

Other actions you may take...

If you wish to discuss this notice with the Department of Revenue's Audit Division, please call **Cynthia England** at (617) 887-7762. If someone will be representing you, you must complete and submit a Power of Attorney Form (M-2848). This form is available from several sources (see page 2 - "What Type of Assistance is Available").

If you decide to wait for a bill...



If you do not respond by August 30, 2005, you will receive a bill that reflects the tax that you owe, plus interest and any applicable penalties. Interest and penalties will continue to accrue until you pay the full amount due (see "Understanding the Notice of Intent to Assess" for more information).

Page 1 of 6

CUT HERE AND RETURN THE COUPON BELOW IN THE ENVELOPE PROVIDED

Please check the appropriate boxes.

☐ Submit payment.

I am paying the following amount:

Write your
Taxpayer ID #
on your check
or money order

\$

Make check or money order payable to:

Commonwealth of Massachusetts



CIRCUIT CITY STORES INC

Taxpayer ID Number: 875

Document Number: 0480 2004 8069

Total Assessment: \$259,025.95

Response Due Date: August 30, 2005

Tax Type: Foreign Corporation

MA
A
I
L
T
O
Massachusetts Department of Revenue
P.O. Box 7072
Boston, MA 02204

(B)
203

☐ Address or phone number change. See reverse side.

22-1

D2-2



COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF REVENUE

Cynthia England Audit Pittsburgh
Telephone: (617) 887-7762

Taxpayer Name: Circuit City Stores Inc

Notice Date: July 31, 2005

Taxpayer ID Number: [REDACTED] 875

Document Number: 0480 2004 8069

Total Assessment: \$259,025.95

Response Due Date: August 30, 2005

Tax Type: Foreign Corporation

THIS 02 VERSION SUPERCEDES PREVIOUS NIAS

Assessment Detail for Audit Period 03/01/00 to 02/28/03.

For help understanding this section, see page 2 - "Guide to Understanding the Assessment Detail".

No.	Period End Date	Tax Assessment	+	Interest Accrued	+	Penalty Accrued	=	Net Amount Due	+	Previous Assessment(s)	-	Payments/Credits	=	Balance Due
1	02/28/01	\$30,450.00		\$7,946.66		\$0.00		\$38,396.66		\$74,571.00		\$74,571.00		\$38,396.66
2	02/28/02	\$28,862.00		\$5,074.62		\$0.00		\$33,936.62		\$72,102.34		\$72,102.34		\$33,936.62
3	02/28/03	\$163,992.00		\$22,700.67		\$0.00		\$186,692.67		\$77,568.00		\$77,568.00		\$186,692.67
4								TOTAL:		\$259,025.95		\$224,241.34		\$224,241.34

TOTAL AMOUNT DUE: \$259,025.95

Comments:

INTEREST CALCULATED THIRTY DAYS FROM DATE OF NOTICE.
SEE SUPPORTING WORKPAPERS FOR EXPLANATION OF ADJUSTMENTS.

12-3

Understanding the Notice of Intent to Assess

What is the Notice of Intent to Assess (NIA)?

The Notice of Intent to Assess (NIA) is not a bill. It is a notification that DOR intends to assess tax liabilities that it determines are owed to the Commonwealth of Massachusetts. It is also an opportunity to resolve matters before a bill is issued.

What if a payment was not credited?

If you believe that you previously made a payment for the amount shown on this Notice of Intent to Assess, contact the representative or Bureau listed on the front page of this notice.

What if I would like to appeal this notice?

If you would like to appeal, you have a right to a pre-assessment conference, to request settlement consideration, or both, with the Office of Appeals (see enclosed "Response Form"). This request must be made within 30 days of the notice date indicated on page 1 of this NIA. Nonfiling cases are not entitled to request a pre-assessment conference or settlement consideration.

What happens if I do not respond to this notice?

At the end of 30 days, you will be sent a bill called a Notice of Assessment (NOA) indicating the amount due. Interest and penalties will continue to accrue until the balance is paid in full.

How do I stop interest and penalties from continuing to accrue?

If you agree with the amount assessed, pay the amount indicated within the 30-day period given. If you are disputing the amount assessed, you may want to pay since interest and, in some cases, penalties will continue to accrue on any unpaid amount for which you are ultimately held responsible. A refund, with applicable interest, will be issued to you if your appeal is successful.

If you pay the full amount indicated on the NIA within the given 30-day period, you will receive a Notice of Assessment (NOA), with a "zero-balance", which serves as your receipt of full payment.

If you make a partial payment or do not pay the amount owed, you will receive a Notice of Assessment. The NOA will indicate the balance due, including interest and penalties. Please note that interest and penalty charges will continue to accrue until the amount owed is paid in full.

What if I cannot afford to pay the balance due?

You may make a partial payment with this notice. When you receive the NOA, there will be instructions on how to request a payment agreement with DOR.

What if this notice indicates an overassessment and/or refund?

If the Department has determined that you are due a credit and/or refund, the amounts are reflected in this Notice of Intent to Assess. At the end of the 30 day period following issuance of this NIA, your account will be adjusted and the credit/refund will be processed automatically. Therefore, if you agree with the findings, you need to take no further action. Please note, the Department may apply any credit/refund to outstanding liabilities for other tax types if those circumstances exist. Generally, you will receive a separate notification if this occurs. If you disagree with the Department's proposed credit/refund you may follow the appeal procedures (see enclosed "Response Form").

What are the most common penalties?

Under Massachusetts law, penalties are automatically imposed on late returns and late payments and when taxpayers have failed to meet other filing requirements. The five most common penalties are:

Late Return - A late return will generate a late file penalty of 1% per month on the unpaid tax. The total penalty charge cannot exceed 25% of the unpaid tax. It is calculated from the due date of the return to the date the return is filed.

Late Payment - An unpaid balance will generate a 1/2% penalty per month on the unpaid tax. The total penalty charge cannot exceed 25% of the unpaid tax.

Underpayment of Estimated Tax - Income and corporate taxpayers who fail to pay the required amount of tax by the proper due date through estimated and/or withholding payments may be subject to this addition to tax. Individuals whose liabilities exceed \$200 are required to make estimated payments equal to 80% of their current year's tax liabilities or 100% of their prior year's tax liabilities. Corporations whose liabilities exceed \$1000 for any taxable year are required to make estimated tax payments equal to 90% of the current year's tax or 100% of the prior year's tax.

Federal Change Non-Compliance Penalty - If you are audited by the IRS, you must report the changes affecting your Massachusetts taxable income to the Department of Revenue within one year from the date of the federal change determination and pay any additional tax, plus interest. Note: If you do not show reasonable cause for failure to comply, an additional penalty of \$100 or ten percent of the additional tax due whichever is smaller will be imposed.

Failure to File; G.L. Ch.62C Sec. 28 - If you failed to file a required return, DOR may determine the tax due according to the best information available. A penalty may be assessed at not more than double the amount so determined.

How is interest accrued?

Effective July 1, 2003, the interest rate on overpayments is the Federal short-term rate plus two percentage points, simple interest. The rate for underpayments is the Federal short-term rate plus four percentage points, compounded daily. Interest will accrue on unpaid interest and penalties as well as on unpaid tax. It is calculated on:

- 1) unpaid failure-to-file penalties and underpayment of estimated tax penalties starting on the due date through the date of full payment; and
- 2) unpaid failure-to-pay penalties starting on the 31st day after the date of the NOA and continuing to the date of full payment.

Additional information on interest and penalties

To obtain additional information on interest and penalty charges, contact the Customer Service Bureau (CSB) at 617-887-MDOR (6367) or toll-free in Massachusetts at 1-800-392-6089. You may also obtain rate information on our website at www.mass.gov/dor - Forms and Publications - Taxpayer Advisory Bulletin.



COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF REVENUE

Cynthia England Audit Pittsburgh
Telephone: (617) 887-7762

NOTICE OF INTENT TO ASSESS

This is an official notice from the Massachusetts Dept. of Revenue.

Notice Date: July 31, 2005

Taxpayer ID Number: [REDACTED] 875

Document Number: 0480 2004 8069

Total Assessment: \$259,025.95

Response Due Date: August 30, 2005

Tax Type: Foreign Corporation

CIRCUIT CITY STORES INC
9950 MAYLAND DR
RICHMOND VA 23233-1463

969C



540493875 2

2 B 00535 v. 01/16/07 203

RESPONSE FORM

You have the right to appeal...

The Office of Appeals is a separate office within the Department of Revenue that settles tax disputes and conducts pre-assessment conferences relating to taxpayer appeals. If you wish to appeal this notice, you may request a conference to dispute the proposed assessment pursuant to G.L. Ch. 62C, Sec. 26(b), request settlement consideration pursuant to G.L. Ch. 62C, Sec. 37C, or both, with the Office of Appeals.

If you wish to request a pre-assessment conference or settlement consideration, please submit the appropriate section of the Response Form below with a statement of your intentions. Upon receipt of your request, the Department will send you Form DR-1, "Request for Conference or Settlement Consideration" for you to complete.

You do not have the right to appeal...

If the proposed assessment is the result of a non-filed return made pursuant to G.L. Ch 62C, Sec 26(d) or Sec 28, you are not entitled to a pre-assessment conference.

If you wish to discuss this Notice of Intent to Assess...

If what you are seeking is a general discussion of your case or if you want to provide additional information, please contact the auditor assigned to your case.

If you decide to wait for a bill...



If you do not respond by August 30, 2005, you will receive a bill that reflects the tax that you owe, plus interest and any applicable penalties. Interest and penalties will continue to accrue until you pay the full amount due (see "Understanding the Notice of Intent to Assess" for more information).

Page 5 of 6

CUT HERE AND RETURN THE FORM BELOW IN THE ENVELOPE PROVIDED

Please mail this Response Form with all written correspondence.

☐ **Address or phone number change.**

Please complete only if your address or phone has changed.

Street Apt No.

City State Zip

Home Phone () Work Phone ()



CIRCUIT CITY STORES INC

Notice Date: July 31, 2005

Taxpayer ID Number: [REDACTED] 875

Document Number: 0480 2004 8069

Total Assessment: \$259,025.95

Response Due Date: August 30, 2005

Tax Type: Foreign Corporation

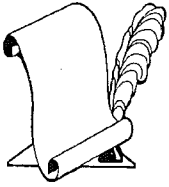
MAIL TO

MASSACHUSETTS DEPARTMENT OF REVENUE
CYNTHIA ENGLAND
PO BOX 40
STEUBENVILLE, OH 43952

(B)

2 B 00535 v. 01/16/07 203

12-5



Taxpayer Bill of Rights

DOR must be objective, impartial, professional and ethical in its administration of the tax laws; any information that you as a taxpayer provide to the Department will be handled with the utmost confidentiality and professionalism.

DOR must maintain a Problem Resolution Office and an Office of Internal Affairs to safeguard taxpayers' rights.

DOR may not establish or enforce individual collection goals or collection quotas for its employees.

If you are unable to satisfy a tax liability in full, the Commissioner of Revenue may enter into a payment agreement if the Commissioner determines it will facilitate collection of the tax.

You may obtain representation at any point in your dealings with the Department.

You may be entitled to appeal any DOR decision regarding your tax liability. DOR is obligated to make abatement decisions as promptly as possible and to issue any refunds resulting from abatement decisions within 30 days of such decisions.

You will not be subject to statutory penalties if you make a mistake because you relied on erroneous written advice from DOR representatives acting in their official capacities.

You can find more comprehensive details on your rights as a taxpayer in "A Guide to the Department of Revenue: Your Taxpayer Bill of Rights". To obtain a copy, visit our website at www.mass.gov/dor or call 617-887-MDOR (6367) or toll-free in Massachusetts at 1-800-392-6089.

Exhibit 3



MASSACHUSETTS DEPT. OF REVENUE
PO BOX 7010
BOSTON, MA 02204

Customer Service Bureau
Telephone: (617) 887-6367
www.mass.gov/dor

Notice Date: January 24, 2007

Taxpayer ID Number: [REDACTED] 875

Bill Number: 0410 2114 6757

Total Amount Due: \$292,517.76

Payment Due Date: February 23, 2007

Tax Type: Corporation Foreign

NOTICE OF ASSESSMENT

This is an official notice from the Massachusetts Dept. of Revenue.

CIRCUIT CITY STORES INC
9950 MAYLAND DR
RICHMOND VA 23233-1463

400C



[REDACTED] 875 2

2 B 00007 v. 01/24/07 218

You are receiving this Notice of Assessment because ...

The records of the Massachusetts Department of Revenue indicate that you have an outstanding liability of **\$292,517.76** that you owe to the Commonwealth of Massachusetts. This amount includes tax, interest and penalties. Interest and penalties will continue to accrue until the balance is paid in full (see page 4 for more information). To avoid additional interest and penalty charges, you must pay the total amount due by **February 23, 2007**.

Actions you should take...

Submit Payment/Dispute the Assessment - Make your payment electronically via our website, make a phone payment with an agent at the number listed above, or mail your payment and the coupon shown below. Include your ID # on your check. If you decide to dispute the assessment, you are not required to pay but may want to in order to avoid additional charges. If your appeal is successful, any money paid will be refunded with applicable interest. Note: WFB participants can dispute tax and/or penalty online.

Enter into a payment agreement - Visit our website to arrange for monthly payments or call our automated telephone system at (617)887-MDOR (6367) or toll-free in Massachusetts at 1-800-392-6089. For amounts over \$5000 call 617-887-6400.

Did you Know ...

You can file and pay most business taxes online through DOR's Webfile for Business program. In addition, you can view your account history, pay bills and amend business tax returns. For more information, visit our website at <http://www.mass.gov/dor>.



WEBFILE FOR BUSINESS
<http://www.mass.gov/dor>



Interest and penalties will continue to accrue until you pay the full amount.
Corporate Efile mandate: Corporations with more than \$100,000 in gross receipts, sales, or income from all sources must transmit all returns, documents and tax payments using electronic means as of January 1, 2005.

Page 1 of 4

CUT HERE AND RETURN THE COUPON BELOW IN THE ENVELOPE PROVIDED



CIRCUIT CITY STORES INC
9950 MAYLAND DR
RICHMOND VA 23233-1463

400C

Your payment must be postmarked by February 23, 2007

Taxpayer ID Number: [REDACTED] 875

Bill Number: 0410 2114 6757

Payment Due Date: February 23, 2007

Total Amount Due: \$292,517.76

Enter Amount Enclosed

\$

Write your Taxpayer ID # on your check or money order and make it payable to:
Commonwealth of Massachusetts

Please complete only if your address or phone has changed.

Street Apt No.

City State Zip

Home Phone () Work Phone ()

MA
L Massachusetts Department of Revenue
P. O. Box 7065
T Boston, MA 02204-7065
O

2 B 00007 v. 01/24/07 218

(B)
218

540493875218041021146757000292517767

Guide to Understanding the Assessment Detail

The diagram shown below will help you to understand your personal assessment information. (See page 3 - "Details of What You Owe" for your personal assessment information.) **Note, the numbers used are for example purposes only.**

Item Number	Type of tax owed	Date that the tax period ended	Internal DOR transaction code	Date of assessment	Amount of tax assessed	Amount of Interest and Penalties accrued as of Payment Due Date	Payments and/or Credits previously received	Balance of each line number
No.	Tax Type	Period End Date	Trans Type	Assessment Date	Tax Liability	+ Interest Accrued + Penalty Accrued	Payments/ Credits	Balance Due
01	Sale/Use	12/31/99	101	02/12/01	\$142.89	\$9.29	\$142.89	\$24.79
02		12/31/00	101	02/12/01	\$216.52	\$16.32	\$216.52	\$23.85
Subtotal:								\$48.64
Total Amount Due:								\$48.64

*Most Common Tax Types

ESTATE.....Estate Tax	INCOME.....Individual Income Tax	CORP DOM.....Domestic Corporation
SALE/USE.....Sales Use Tax	ROOM OCC.....Room Occupancy Tax	CORP FOR.....Foreign Corporation
MEALS.....Meals Tax	WITH INC.....Withholding Tax	FIDO.....Fiduciary Income

What Type of Assistance is Available?



Call the Department of Revenue (DOR)

Contact the representative or Bureau listed on the front page of this notice if you have questions or need assistance.



Massachusetts Department of Revenue website: <http://www.mass.gov/dor>

Our Website offers a variety of information and electronic payment options including "Your Taxpayer Bill of Rights", rulings and regulations, Form CA-6, Application for Abatement/Amended Return, as well as many other tax forms and publications.



Fax on Demand Menu 617-887-1900

Using your fax machine handset and keypad, receive Form CA-6, Application for Abatement/Amended Return (Document Retrieval Number 326), as well as other forms and publications 24 hours a day.




Interactive Voice Response (IVR) 617-887-MDOR (6367) or toll-free within Massachusetts at 1-800-392-6089

Call 24 hours a day to access our automated IVR system to order forms, enter a small payment agreement or check the status of your refund.

Page 2 of 4

Make check or money order payable to:
Commonwealth of Massachusetts

Michael Richards 100 Ravine Road Boston, MA 02204		DATE January 1, 2006	1234
PAY TO THE ORDER	Commonwealth of Massachusetts	\$1000.00	
One Thousand and 00/100		DOLLARS	
Fleet Bank			

Do not forget to write your Taxpayer ID Number

Do not forget to sign your check



COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF REVENUE

Customer Service Bureau
Telephone: (617) 887-6367

Taxpayer Name: Circuit City Stores Inc

Notice Date: January 24, 2007

Taxpayer ID Number: [REDACTED] 875

Bill Number: 0410 2114 6757

Total Amount Due: \$292,517.76

Payment Due Date: February 23, 2007

Tax Type: Corporation Foreign

Details of What You Owe

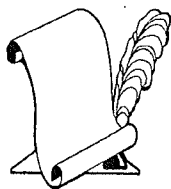
For help understanding this section, see page 2 - "Guide to Understanding the Assessment Detail".

No.	Tax Type*	Period End Date	Trans Type	Assessment Date	Tax Liability	+	Interest Accrued	+	Penalty Accrued	-	Payments/ Credits	=	Balance Due
1	CORP FOR	02/28/01	700	01/23/07	\$30,450.00		\$13,035.25		\$0.00		\$0.00		\$43,485.25
2		02/28/02	700	01/23/07	\$28,862.00		\$8,736.04		\$0.00		\$0.00		\$37,598.04
3		02/28/03	700	01/23/07	\$163,992		\$47,442.47		\$0.00		\$0.00		\$211,434.47
4											Subtotal:		\$292,517.76

* See explanation of the Most Common Tax Types on page 2.

Recent payments may not be reflected.

TOTAL AMOUNT DUE: \$292,517.76



Taxpayer Bill of Rights

DOR must be objective, impartial, professional and ethical in its administration of the tax laws; any information that you as a taxpayer provide to the Department will be handled with the utmost confidentiality and professionalism.

DOR must maintain a Problem Resolution Office and an Office of Internal Affairs to safeguard taxpayers' rights.

DOR may not establish or enforce individual collection goals or collection quotas for its employees.

If you are unable to satisfy a tax liability in full, the Commissioner of Revenue may enter into a payment agreement if the Commissioner determines it will facilitate collection of the tax.

You may obtain representation at any point in your dealings with the Department.

You are entitled to appeal any DOR decision regarding your tax liability. DOR is obligated to make abatement decisions as promptly as possible and to issue any refunds resulting from abatement decisions within 30 days of such decisions.

You will not be subject to statutory penalties if you make a mistake because you relied on erroneous written advice from DOR representatives acting in their official capacities.

You can find more comprehensive details on your rights as a taxpayer in "A Guide to the Department of Revenue: Your Taxpayer Bill of Rights". To obtain a copy, visit our website at www.mass.gov/dor or call 617-887-MDOR (6367) or toll-free in Massachusetts 1-800-392-6089.

Understanding the Notice of Assessment

What is the Notice of Assessment?

The Notice of Assessment (NOA) is a bill that is sent when DOR determines you owe a tax liability to the Commonwealth of Massachusetts. The liability may be the result of an audit, a late and/or unpaid return or an error on a return.

What if a payment was not credited?

If you believe that you previously made a payment for the amount shown on this Notice of Assessment, contact the representative or Bureau listed on the front page of this notice. WFB users can check payments online.

What if I disagree with this notice or would like to appeal?

You may appeal by filing an Application for Abatement (Form CA6) within the time allowed for making an application. WFB users can file appeals for tax or penalty via the amend section of our online program. This is the fastest means of resolving your issue. An online Income tax abatement application will be available in the fall of 2004. Please contact the Customer Service Bureau at (617) 887-6367 or toll-free in Mass. At 1-800-392-6089 with any questions.

Should I pay even if I am disputing this assessment?

You are not obligated to pay an amount that you are disputing. However, you may want to pay since interest and, in some cases, penalties will continue to accrue on any unpaid amount for which you are ultimately held responsible. A refund resulting from an abatement will include interest computed from the date a complete application was filed.

What if I do not have the money to pay?

If you cannot pay the full amount that you owe, you may be able to pay the total liability through monthly installments or credit card. To request a payment agreement for amounts under \$5,000, visit our website or call 617-887-MDOR (6367) or toll-free in Massachusetts at 1-800-392-6089. For amounts over \$5,000, call 617-887-6400.

Note: DOR may refuse to allow a payment agreement if a taxpayer has a history of delinquency; has the resources to settle the debt immediately; or if the agreement jeopardizes the ultimate collection of the tax due.

What happens if I do not respond to this notice?

If you do not pay the amount due and do not dispute the assessment by filing an application for abatement, DOR will pursue full payment using a series of collection tools up to and including your name being published on our website.

What are the most common penalties?

Under Massachusetts law, penalties are automatically imposed on late returns and late payments and when taxpayers have failed to meet other filing requirements. The four most common penalties are:

Late Return - A late return will generate a late file penalty of 1% per month on the unpaid tax. The total penalty charge cannot exceed 25% of the unpaid tax. It is calculated from the due date of the return to the date the return is filed.

Late Payment - An unpaid balance will generate a 1/2% penalty per month on the unpaid tax. The total penalty charge cannot exceed 25% of the unpaid tax.

Underpayment of Estimated Tax - Income and corporate taxpayers who fail to pay the required amount of tax by the proper due date through estimated and/or withholding payments may be subject to this addition to tax. Individuals whose liabilities exceed \$200, \$400 for tax year beginning 01/01/05, are required to make estimated payments equal to 80% of their current year's tax liabilities or 100% of their prior year's tax liabilities. Corporations whose liabilities exceed \$1000 for any taxable year are required to make estimated tax payments equal to 90% of the current year's tax or 100% of the prior year's tax.

Penalty for failure to Comply with Efile Mandate:

A penalty of \$100 for each payment/extension payment (trans type 92A) or return/extension filing (92B) not submitted electronically when required.

How is interest accrued?

Effective July 1, 2003, the interest rate on overpayments is the Federal short-term rate plus two percentage points, simple interest. The rate for underpayments is the Federal short-term rate plus four percentage points, compounded daily. Interest will accrue on unpaid interest and penalties as well as on unpaid tax. It is calculated on:

- 1) unpaid failure-to-file penalties and underpayment of estimated tax penalties starting on the due date through the date of full payment; and
- 2) unpaid failure-to-pay penalties starting on the 31st day after the date of the NOA and continuing to the date of full payment.

Additional Information on Interest and Penalties

To obtain additional information on interest and penalty charges, contact the Customer Service Bureau (CSB) at 617-887-MDOR (6367) or toll-free in Massachusetts at 1-800-392-6089. You may also obtain rate information on our website at <http://www.mass.gov/dor> - Forms and Publications - Taxpayer Advisory Bulletin or see our online tax guide.